

LOVELAND AREA PROJECTS

Customer Brochure

PROPOSED
FIRM ELECTRIC SERVICE
2006 RATE ADJUSTMENT

June 2005



Rocky Mountain Region

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Materials Posted on Website

<http://www.wapa.gov/rm/rm.htm>

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I. INTRODUCTION

This brochure provides information on Western Area Power Administration's (Western) proposed firm electric service rate adjustment for the Loveland Area Projects (LAP). The rate adjustment procedures are outlined in Appendix A to this brochure.

The Fiscal Year (FY) 2004 repayment analysis for LAP, which includes the Pick-Sloan Missouri Basin Program--Western Division (P-SMBP-WD) and the Fryingpan-Arkansas Project (Fry-Ark), indicates that the existing firm electric service rates do not meet repayment requirements. To fulfill those requirements, the Rocky Mountain Region (RMR) and the Upper Great Plains Region (UGPR) have proposed rate adjustments for LAP and the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP-ED). The P-SMBP-ED rate adjustment has been proposed in a separate public process.

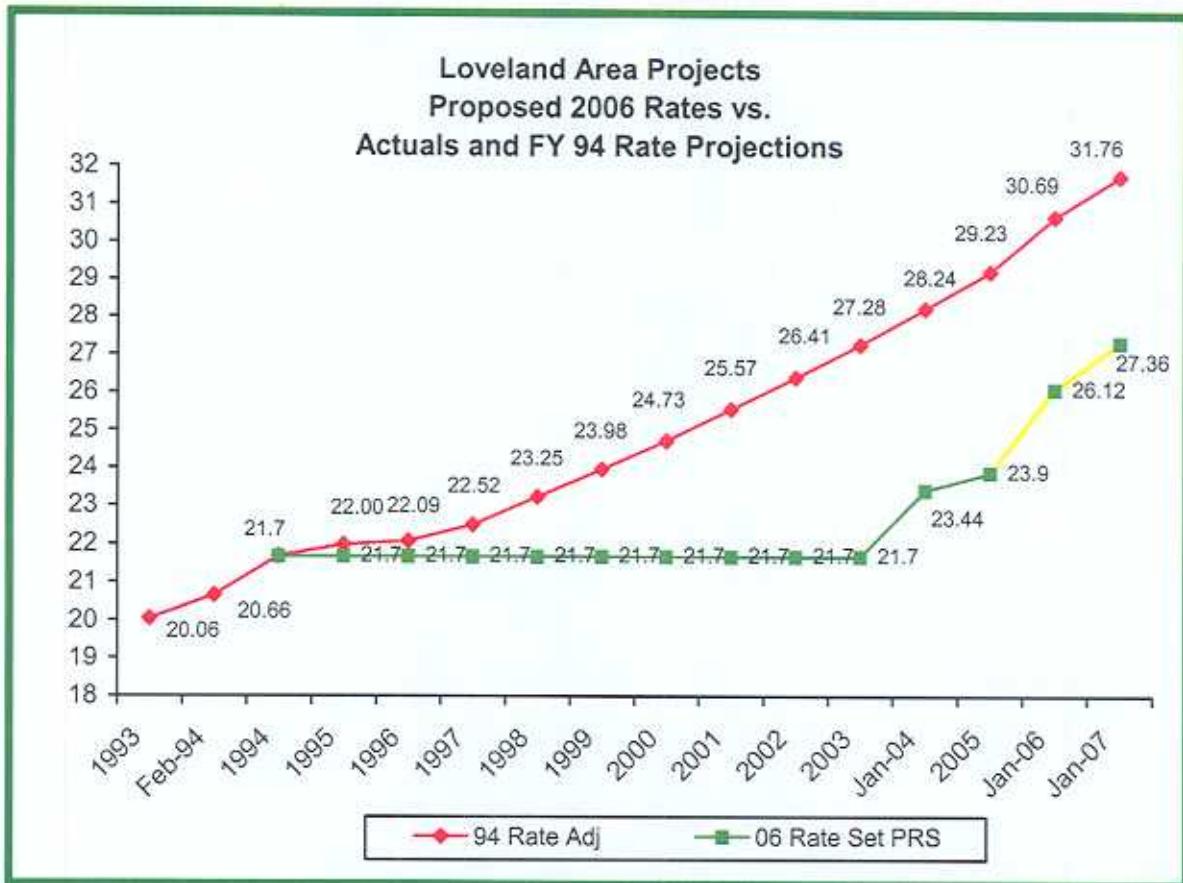
Western is proposing a two-step rate adjustment. Under a two-step method, the rates for LAP firm electric service will result in an overall composite rate increase of approximately 9.3 percent effective on January 1, 2006, and another 5.2 percent effective on January 1, 2007, for a total increase of approximately 14.5 percent. The rates under this option for LAP firm electric service are listed below.

Firm Electric Service	Existing Rates	First Step Rates Jan. 1, 2006	Percent Change	Second Step Rates Jan. 1, 2007	Percent Change
LAP Revenue Requirement	\$48.8 million	\$53.3 million	9.2	\$55.8 million	5.1
LAP Composite Rate	23.90 mills/kWh	26.12 mills/kWh	9.3	27.36 mills/kWh	5.2
Firm Energy	11.95 mills/kWh	13.06 mills/kWh	9.3	13.68 mills/kWh	5.2
Firm Capacity	\$3.14/kW-month	\$3.43/kW-month	9.2	\$3.59/kW-month	5.1

The major factors contributing to the proposed rate adjustment are the economic impact of the drought, increased operation and maintenance (O&M) and other annual expenses, increased investments, and increased interest expense associated with deficits. Based on customer feedback, the studies have also been adjusted to account for a calendar year implementation vs. a fiscal year implementation. Detailed discussions of these factors are included in Section II below.

The next two charts provide some general information. The first chart displays the LAP rate projections from the 1994 rate adjustment period and the 2006 Rate Setting Power Repayment Study (PRS) (Rate Set PRS). As the chart shows, the 2007 proposed rate under the 2006 Rate Set PRS is 4.40 mills lower than the 2007

projected rate under the 1994 rate adjustment. The second chart shows the historical and projected LAP rates.



Loveland Area Projects Rate History

Year

Composite Rate

■ 1989	14.30			
■ 1990	Step 1	16.78	Step 2	17.20
■ 1991	Step 1	19.18	Step 2	20.06
■ 1994	Step 1	20.66	Step 2	21.70
■ 2004	Step 1	23.44	Step 2	23.90
■ 2006	Step 1	26.12	Step 2	27.36

II. LOVELAND AREA PROJECTS FIRM ELECTRIC SERVICE RATES

The current rates, \$3.14 per kilowattmonth (kWmo) and 11.95 mills per kilowatthour (mills/kWh) are the 2nd step rates from the FY 2004 LAP rate adjustment. These rates were placed in effect in the October 2004 billing period and approved by FERC on a final basis on December 21, 2004, under Federal Energy Regulatory Commission (FERC) Docket No. EF04-5181-000 (109 FERC 62,228). These rates are set to expire on December 31, 2008.

A. Proposed LAP Firm Electric Service Rates: The LAP firm electric service rates were developed by combining the revenue requirements from the Final FY 2004 PRS and the 2006 Rate Set PRS for both P-SMBP-WD and Fry-Ark.

1. Revenue Requirements:

- a. Pick-Sloan Missouri Basin Program--Western Division: The present annual revenue requirement for P-SMBP-WD firm power is \$35,903,280, and is based on the current firm P-SMBP-WD composite rate of 18.06 mills/kWh and projected energy sales of 1,988 GWh.

PRESENT REVENUE REQUIREMENT:

18.06 mills/kWh x 1,988,000,000 kWh	\$35,903,280
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PROPOSED INCREASES:

Jan 06 – 1.96 mills/kWh x 1,988,000,000 kWh	\$ 3,896,480
Jan 07 – 1.07 mills/kWh x 1,988,000,000 kWh	\$ 2,127,160
Total Increase – 3.03 mills/kWh x 1,988,000,000 kWh	\$ 6,023,640

Proposed Revenue Requirement	
18.06 + 3.03 = 21.09 mills/kWh x 1,988,000,000 kWh	\$41,926,920

- b. Fryingpan-Arkansas Project: The present annual revenue requirement for Fry-Ark is \$12,855,560, and is based on the projected sale of 200 MW of capacity and 52 GWh of energy.

<u>PRESENT REVENUE REQUIREMENT:</u>	\$12,855,560
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PROPOSED INCREASES:

Jan 06 -	\$ 649,560
Jan 07 -	\$ 364,240
Total Increase	\$ 1,013,800
Proposed Revenue Requirement	\$13,869,360

- c. Total LAP Revenue Requirement: Revenue requirements for repayment of power obligations are:

PRESENT REVENUE REQUIREMENT: \$48,758,840

PROPOSED INCREASES:

Jan 06 – 2.22 mills/kWh \$ 4,546,040
Proposed Revenue Requirement – 1st Step \$53,304,880

Jan 07 – 1.24 mills/kWh \$ 2,491,400
Proposed Revenue Requirement – 2nd Step \$55,796,280

2. Rate Design: The proposed LAP firm electric service rate is designed to return 50 percent of the revenues from the capacity component and 50 percent from the energy component. The capacity component is based on a monthly billing of the seasonal contract rate of delivery. The energy component is based on the annual contracted energy.

The calculations for the 1st step are as follows:

Capacity:

$$\frac{(\$53,304,880/2) = \$26,652,440}{(690.8 \text{ MW} + 605.3 \text{ MW}) (6) (1,000)} = \$3.43$$

Energy:

$$\frac{(\$53,304,880/2) = \$26,652,440}{2,040 \text{ GWh} (1,000)} = 13.06 \text{ mills/kWh}$$

The calculations for the 2nd step are as follows:

Capacity:

$$\frac{(\$55,796,280/2) = \$27,898,140}{(690.8 \text{ MW} + 605.3 \text{ MW}) (6) (1,000)} = \$3.59$$

Energy:

$$\frac{(\$55,796,280/2) = \$27,898,140}{2,040 \text{ GWh} (1,000)} = 13.68 \text{ mills/kWh}$$

- B. Supporting Data: Facts and figures in support of the proposed rate adjustment are summarized below.

1. Post-1989 Marketing Plan: The "Post-1989 General Power Marketing and Allocation Criteria" (Criteria) was published in the Federal Register on

January 31, 1986 (51 FR 4012), and effectively integrated the operations, resources, and contracts of the P-SMBP-WD and Fry-Ark. The integration of these projects, which are now known as LAP, increased marketable resources, simplified contract administration, and established a consolidated rate for LAP power sales. The Criteria also authorized the development of other services such as transmission service.

Although operationally and contractually integrated, P-SMBP-WD and Fry-Ark retain separate financial status. For this reason, separate PRSs are prepared annually for each project. These PRSs are used to determine the ability of the power rates to generate sufficient revenue to repay project investments and costs during each project's prescribed repayment period. To develop one rate for LAP firm electric service, the revenue requirements for Fry-Ark and P-SMBP-WD are combined.

Due to the integration of these two financially independent projects, procedures have also been established to distribute revenue to each project. Western splits LAP firm power revenue between the P-SMBP-WD and Fry-Ark on the basis of the proportional revenue requirements for each project. Consistent with past practice, "other revenues" are credited to the project earning the revenue. Most transmission revenue due to Western for the use of the LAP transmission system is credited to the P-SMBP and is included in the P-SMBP PRS. Fry-Ark receives credit for income related to third-party use of Western's transmission reservation on the system of the Public Service Company of Colorado. These revenues are included in the Fry-Ark PRS.

2. Hydrology – Available Resources: The long-range annual contracted energy from the P-SMBP-WD is 1,988 GWh and the annual contracted energy from Fry-Ark is 52 GWh. The combined production of the two projects is 2,040 GWh. The energy and capacity marketed under the Criteria includes production resulting from flow-through energy from Fry-Ark, additional water from Windy Gap diversions, and various improvements in hydrologic estimates and unit capabilities across the P-SMBP-WD system.
 - a. P-SMBP-WD: The amount of capacity available and the amount of energy that can be produced by the Bureau of Reclamation (Reclamation) depend upon water conditions in the river basins encompassed by the P-SMBP-WD program and the Colorado-Big Thompson (C-BT), Kendrick, Shoshone, and North Platte Projects, commonly known as the "Integrated Projects."

Drought conditions persist in the P-SMBP-WD but are less severe than in the last 3 years due to improved high mountain snow accumulation over the winter. Timely spring and summer precipitation last year reduced water demands and the associated draft on reservoir storage. Reservoir inflows were above normal in the P-SMBP-WD from October 2004 through May 2005; 114 percent of average for C-BT, 100 percent for the

North Platte Basin, and 111 percent in the Bighorn Basin. The combined P-SMBP-WD reservoir inflow was 107 percent of average from October 2004 through May 2005. The resulting P-SMBP-WD reservoir storage at the end of May 2005 was 93 percent of average due to an earlier than normal snow melt. Assuming normal precipitation and temperatures in the P-SMBP-WD for the remainder of FY 2005, the reservoir inflows for FY 2005 will be 86 percent of average. The resulting P-SMBP-WD reservoir storage will be 83 percent of average at the end of September 2005.

- b. Fry-Ark: Since the Mount Elbert Powerplant is a pumped-storage powerplant, the plant's operation is relatively independent of regional hydrologic conditions. The Criteria specifies that the energy production capability of flow-through water is 52 GWh.

For flow-through water, the drought also persists in the Fry-Ark Project. The reservoir inflow to date has been 92 percent of average. The current reservoir storage was 91 percent of average at the end of May 2005. The Boustead Tunnel import from the Fryingpan River and Hunter Creek is forecast to be 90 percent of average in FY 2005.

The fluctuations in project generation do not affect Western's contractual obligations. In low water years, Western will purchase power to meet its obligations. In high water years, Western may offer surplus energy to its customers or sell the surplus on the open market.

3. Power Repayment Studies: A PRS for the P-SMBP is prepared annually by Western with the cooperation of Reclamation and the Corps of Engineers (Corps). Basic river basin hydrology, water depletions, power generation, and project development data and cost information are supplied by Reclamation and the Corps. The annual Fry-Ark PRS is prepared by Western and coordinated with Reclamation for project development data and cost information. PRSs are prepared in accordance with authorizing legislation and with Department of Energy (DOE) Order No. RA 6120.2 (Power Marketing Administration Financial Reporting).

The PRS summarizes historic income, expenses, and investment to be repaid from power revenues. It also estimates income, expenses, and investments for future years, as well as calculating the application of revenues, the annual repayment of power system production and transmission costs, and displaying other costs assigned to power for repayment. The PRS also calculates the total Federal investment remaining to be repaid over the repayment period.

Revenues, expenses, and investments are entered into the PRS from historical data and from short-term, future budget estimates. These figures are then used to estimate long-term projections of revenues and expenses.

The purpose of a PRS is to determine the ability of power rates to generate sufficient revenue for repayment of project investments and costs during the project's repayment period. A PRS contains the following component parts:

- a. Resources and Annual Revenues: In the PRS for P-SMBP, future available energy resources (based on the latest hydrology, depletions, and marketing projections) are multiplied by a composite energy yield to determine annual revenue estimates. In the PRS for Fry-Ark, flow-through energy is valued at the current LAP energy rate. The remaining revenue is attributed to capacity sales.

For the P-SMBP Rate Set PRS, future P-SMBP-WD annual firm energy sales are based on an annual energy amount of 1,988 GWh and capacity sales are based on actual LAP contract commitments (490.8 MW for summer season and 405.3 MW for winter season). For the Fry-Ark Rate Set PRS, capacity sales are based on marketing the available 200 MW of capacity and 52 GWh of flow-through energy. In addition, the PRS for each project includes other revenues, such as economy energy, ancillary services, and transmission revenues.

The historical capacity and energy sales for both P-SMBP and Fry-Ark are through September 30, 2004.

- b. Annual Revenue Deductions or Expenses: Unless required payments are due, revenues are normally first applied to repayment of annual expenses which include:
 - O&M costs, purchased power, and transmission costs; and
 - yearly interest expenses on investments.

These expenses are discussed below.

- (1) Annual Expenses: O&M expenses shown in each PRS reflect the costs associated with the operation of powerplants, substations, and transmission lines, as well as labor and supplies associated with maintenance. O&M expenses also reflect costs for nonrecurring maintenance and administrative overhead. The cost of purchased power and transmission required for firm contractual obligations is also included in annual expenses.

- (a) Historical O&M expenses are based on accounting records through September 30, 2004. Projected O&M expenses are based on the FY 2007 budget documents.

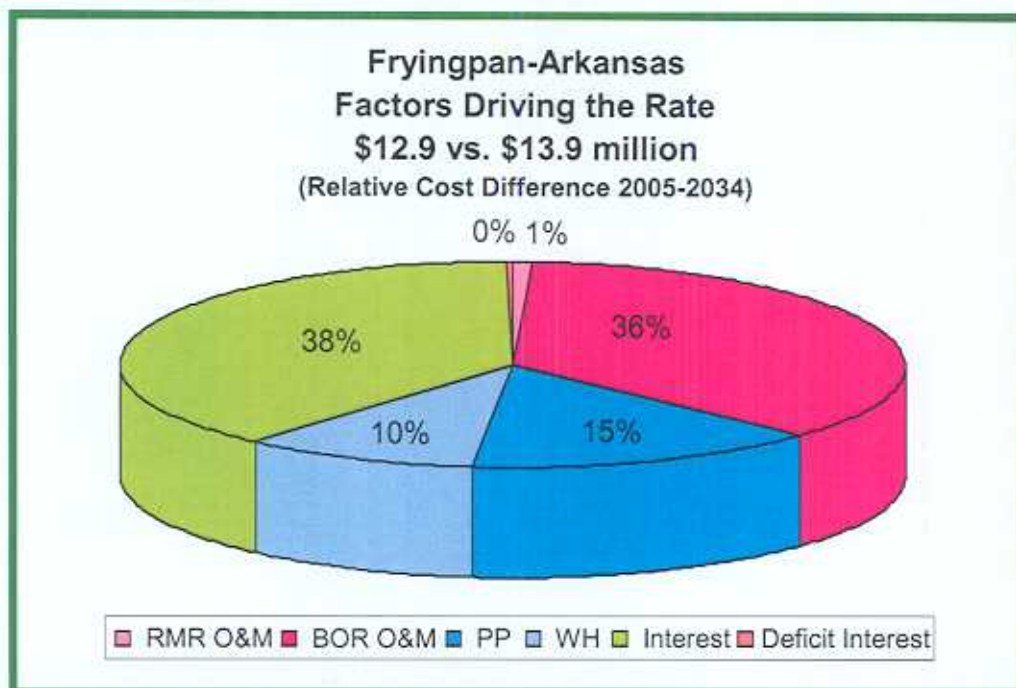
In the Fry-Ark PRS, Reclamation's O&M out-year is up \$234,000 or 6.85 percent (1.39 percent increase in revenue requirement). RMR's O&M out-year is down \$64,000 or -8.21 percent (.31 percent decrease in revenue requirement). In the P-SMBP

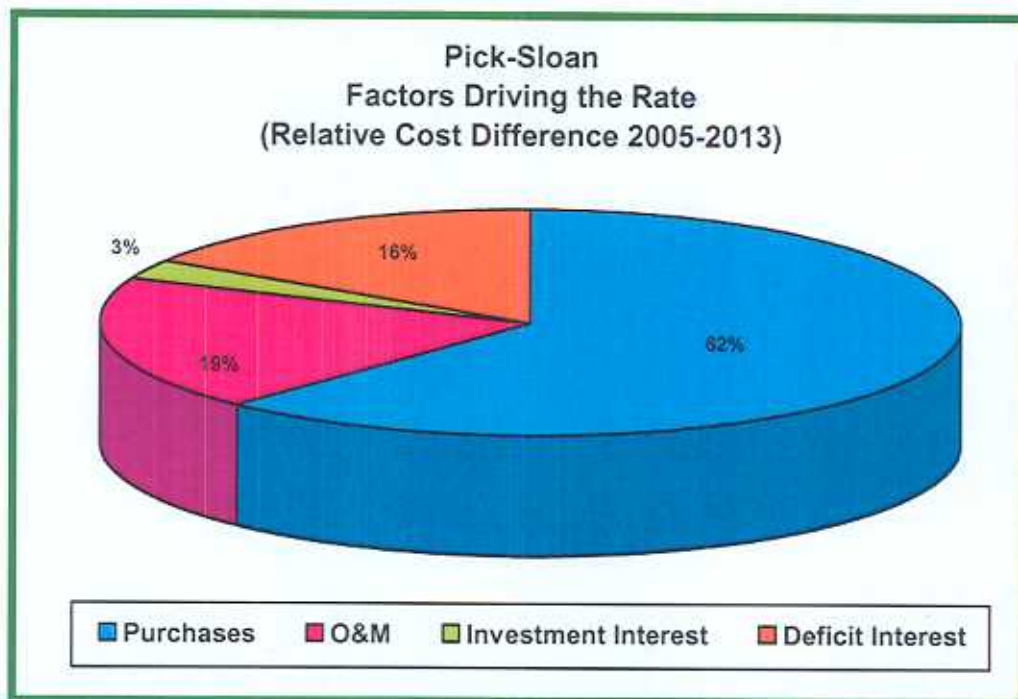
PRS, RMR's O&M out-year is up \$451,000 or 1.34 percent (.045 mills/kWh pressure on the P-SMBP rate).

- (b) Purchased power costs are projected for 2 future years. The projections are based on Reclamation's Generation Projections for FYs 05-07. Purchases for energy imbalance, losses, and timing are also projected. Some of these purchases are offset by projected revenues that are to be received from providing the service(s).
 - (c) Transmission expenses are included in the Fry-Ark PRS through 2013; assuming an estimated timeframe to either participate in a Regional Transmission Organization (RTO) or negotiate another transmission contract. Transmission expenses are included in the P-SMBP PRS for the full 100 years of the study.
- (2) Interest Expenses: The yearly interest expenses are paid next. Historical interest expenses in each PRS are based on accounting records through September 30, 2004. Projected interest expenses reflect the various interest rates applicable to the unpaid balances of outstanding investments.

The interest rates of unpaid balances in the P-SMBP PRS vary from 0 to 11.07 percent. The interest rates of unpaid balances in the Fry-Ark PRS vary from 3.046 to 8.542 percent.

In the following charts, the data from the 2006 Rate Set PRS is being compared to the data from the 2004 Rate Set PRS to show the factors that are driving the rate of each project.





- c. Deficit Repayment: Project deficits (expenses exceeding revenues), or a portion thereof, are normally paid after annual expenses have been paid. These deficits are capitalized at current interest rates and classified into two categories:

- (1) Category 1 – A deferred interest expense deficit
- (2) Category 2 – A deferred annual cost deficit

P-SMBP expenses exceeded revenues by \$76.7 million in FY 2004. Primarily drought related, the deficits resulted from increased purchased power expenditures and decreased revenue from surplus sales. This resulted in both "Category 1" and "Category 2" deficits. The total deficits recorded through FY 2004 are \$224 million and the projected deficits for FYs 2005-2007 are \$156 million for a total deficit amount of \$380 million.

Fry-Ark expenses exceeded revenues by \$579 thousand in FY 2004. This deficit was driven both by increasing O&M and drought. This resulted in a "Category 1" deficit. There are no deficits being projected in the Rate Set PRS.

- d. Investment Repayment: Investments are normally repaid on the basis of the highest interest-bearing investment being paid first. However, if the repayment period of a low interest-bearing investment is about to expire, the low interest investment may take repayment precedence. The investment(s) to be repaid are described below.

- (1) Replacements: Replacements are defined as features or equipment that needs to be replaced to ensure project performance. Replacements carry current interest rates, and are required to be repaid within each unit's estimated service life (not to exceed 50 years). The total electric plant investment for a project is used in computing the estimated future replacement costs for the project.

The historical replacements in the Rate Set PRSs are based on accounting records through September 30, 2004. Replacements within the 5-year budget period (2006-2010) are based on the FY 2007 budget documents. Beyond the budget period, each PRS estimates replacements by units of property and service life factors based on data from "Replacements Units, Service Lives, and Factors" published by Reclamation and Western in May 1989, and updated in July 1995.

In the Fry-Ark PRS, Reclamation's FY 2007 capitalized program has decreased \$675,000 from the FY 2006 program. This decrease does not have much significance because it is a decrease from the FY 2006 program that was up 79 percent from the FY 2005 program.

In the P-SMBP PRS, RMR's FY 2007 capitalized program has increased \$17.5 million over the FY 2006 program, which has an upward pressure of .175 mills/kWh on the P-SMBP rate. This increase is offset by additional non-firm transmission revenues that are being made possible by the additional capacity from the 230-kV rebuild of various facilities.

- (2) Additions: A project feature or facility that is not included in the original authorizing legislation is considered to be an Addition.
- (3) Project Investments: Project investments are the original Federal investments authorized by legislation. The interest rate which applies to these investments is defined as the project interest rate. Portions of the project's multipurpose features which are allocated to power are included in project investments.

The project interest rates in the P-SMBP PRS are 2.5 percent and 3.0 percent. The project interest rate in the Fry-Ark PRS is 3.046 percent.

- (4) Irrigation Assistance: Generally, power users are required to pay irrigation investment that is beyond the irrigators' ability to repay. Interest is not accrued on irrigation investments. P-SMBP currently includes irrigation investments in the PRS; Fry-Ark does not have any irrigation assistance assigned to power at this time.

APPENDIX A

RATE ADJUSTMENT PROCEDURES

Western's rate adjustment procedures are governed by the "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions" (10 CFR part 903). These procedures give interested parties an opportunity to participate in the development of power rates.

- I. Notice of Proposed Rate and Consultation and Comment Period: Initially, a notice of the Proposed Rate and official time for public participation must be published in the Federal Register. This notice is referred to as the Proposed Rates for Loveland Area Projects Firm Electric Service, and establishes a consultation and comment period. This period begins on the publication date of the Federal Register notice and closes not less than 90 days later. During this period, interested parties may consult with and obtain information from Western's representatives. They may also examine data used in the power repayment studies and suggest changes. Specific details for providing comments are included in the Federal Register notice.
 - A. Public Information Forum: Western's representatives explain the Proposed Rate changes and answer questions. Those questions not answered at the information forum receive written responses at least 15 days prior to the end of the consultation and comment period.
 - B. Public Comment Forum: This forum provides a formal opportunity for interested parties to submit either written or oral comments to be shared with other attendees and Western representatives. Usually, Western does not respond to comments at this forum. However, comments are considered in developing the final rate.
 - C. Written Comments: Interested parties may submit written comments and inquiries to Western during the consultation and comment period.
 - D. Revision of Proposed Rate: After the close of the consultation and comment period, Western will review and consider comments. If appropriate, the Proposed Rate will be revised. If the Administrator determines that further public comment should be invited or is necessary, interested parties will be given a period of at least 30 days to submit additional comments concerning the Proposed Rate.
 - E. Preliminary Decision on Provisional Rate: Following the end of the consultation and comment period, the Administrator will develop provisional rates. The Deputy Secretary of Energy for the Department of Energy (DOE) has the authority to confirm, approve, and place this rate into effect on an interim basis. The decision, together with an explanation of the principal factors leading to the decision, will be published in the Federal Register.

F. Final Approval of Provisional Rate: The Deputy Secretary will submit information concerning the provisional rate to the Federal Energy Regulatory Commission (FERC) and request final approval. The response of FERC will be to:

1. give final confirmation and approval to the provisional rate,
2. disapprove the provisional rate, or
3. remand the matter to Western for further study.

The provisional rate does not become final until it is approved by FERC.

APPENDIX B

ENVIRONMENTAL EVALUATION

Pursuant to the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.); Council on Environmental Quality Regulations (40 CFR parts 1500-1508); and DOE NEPA Regulations (10 CFR part 1021), Western has conducted an environmental evaluation of the Proposed Rates.

Western's determination is that this Proposed Rate adjustment is eligible for a Categorical Exclusion under 10 CFR Part 1021, Subpart D, B.4.3, which states that an exclusion can be granted for "Rate changes for electric power, power transmission, and other products or services provided by a Power Marketing Administration that are based on a change in revenue requirements, if the operations of generation projects would remain within normal limits."

APPENDIX C

PROPOSED SCHEDULE

- Informal Customer Meeting took place on May 10, 2005
- Public Process
 - FRN – Published (mid-June)
 - 90 Day Comment Period (closes 90 days after FRN published)
 - Information Forums
 - July 19, 2005, at 10 a.m. MDT
Radisson Stapleton Plaza
3333 Quebec Street
Denver, CO
 - July 20, 2005, at 8 a.m. CDT
Peru State College Center
(Skywalk floor of Energy Square,
Floor 3 in Center Park Garage)
1111 O Street
Lincoln, NE
- Comment Forum
 - August 16, 2005, at 9 a.m. MDT
Radisson Stapleton Plaza
3333 Quebec Street
Denver, CO
- Address Comments
- Record of Decision (mid-November)
- Rate Announcement (December)
- Implement Rate – January 1, 2006

APPENDIX D

PROJECT DESCRIPTIONS

Pick-Sloan Missouri Basin Program--Western Division

The initial stages of the Missouri River Basin Project were authorized by section 9 of the Flood Control Act of December 22, 1944 (58 Stat. 877, Public Law 534, 78th Congress, 2nd session). The Missouri River Basin Project has been under construction since 1944. It was later renamed the Pick-Sloan Missouri Basin Program to honor its two principal authors. The P-SMBP encompasses a comprehensive program, with the following authorized functions: flood control, navigation improvement, irrigation, municipal and industrial water development, and hydroelectric production for the entire Missouri River Basin. Multipurpose projects have been developed on the Missouri river and its tributaries in Colorado, Montana, Nebraska, North Dakota, South Dakota, and Wyoming.

The Colorado-Big Thompson (C-BT), Kendrick, and Shoshone projects were administratively combined with P-SMBP in 1954, followed by the North Platte Project in 1959. These projects are known as the "Integrated Projects" of the P-SMBP. The Riverton Project was reauthorized as a unit of P-SMBP in 1970.

Western Division generating resources include five units of the P-SMBP and four other Reclamation projects authorized before P-SMBP, but that are integrated with P-SMBP for repayment purposes. The Boysen, Glendo, Kortes, Riverton, and Yellowtail P-SMBP units include the Boysen, Glendo, Fremont Canyon, Kortes, Pilot Butte, and Yellowtail powerplants. The C-BT, Kendrick, North Platte, and Shoshone projects include the Green Mountain, Marys Lake, Estes, Pole Hill, Flatiron, Big Thompson, Seminole, Alcova, Guernsey, Shoshone, Buffalo Bill, Heart Mountain, and Spirit Mountain powerplants. Reclamation operates and maintains all Western Division powerplants. The Western Division's powerplants' combined installed capability is 631 MW.

Fryingpan-Arkansas Project

Fry-Ark is a transmountain diversion project in central and southeastern Colorado which was authorized by the Act of August 16, 1962, (Public Law 87-590, 76 Stat. 399, as amended by Title XI of the Act of October 27, 1974, Public Law 93-493, 88 Stat. 1487). Fry-Ark diverts water from the Fryingpan River and other tributaries of the Roaring Fork River to the Arkansas River on the East Slope of the Continental Divide. The Fryingpan and Roaring Fork Rivers are part of the Colorado River Basin, on the West Slope of the Rocky Mountains. The water diverted from the West Slope, together with regulated Arkansas River water, provides supplemental irrigation, municipal and industrial water supplies and hydroelectric power production. Flood control, fish and wildlife enhancement, and recreation are also supported by these water diversions.

The project has six dams and five reservoirs with a total storage of 741,000 acre-feet of water, 70 miles of tunnels and canals and a pumped-storage powerplant at Mount Elbert. Its two generating units have an installed capacity of 206 MW. While the majority of project capacity depends on water pumped during off-peak hours and water releases for power production when needed, some generation is attributed to flow-through water. Authorization for the first 100 MW unit of the powerplant was granted on August 16, 1962. The second unit was authorized on October 27, 1974. Work on these two units was completed in 1984.

The pumped-storage capability of the Mount Elbert power plant has become increasingly valuable to Western and its customers. With high prices for power during peak periods, customers have been maximizing their use of the pumped-storage capability under their contracts by taking delivery during the day (on-peak) and returning energy at night (off-peak) to pump water back into the forebay at the powerplant.

EXHIBIT 1

Please go to our Web site at

http://www.wapa.gov/rm/Rates/2006_Firm_Rate/Brochure-Exhibit_1.xls to see Exhibit 1. Click "No" when asked to update links.

EXHIBIT 2

Please go to our Web site at

http://www.wapa.gov/rm/Rates/2006_Firm_Rate/Brochure-Exhibit_2.xls to see Exhibit 2. Click "No" when asked to update links.

EXHIBIT 3

EXHIBIT 3

Proposed Rate Schedule L-F6
(Supersedes Schedule L-F5)

UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

LOVELAND AREA PROJECTS
COLORADO, KANSAS, NEBRASKA, WYOMING

SCHEDULE OF RATES FOR FIRM ELECTRIC SERVICE

Effective:

First Step: Beginning on the first day of the first full billing period on or after January 1, 2006, through December 31, 2006.

Second Step: Beginning on the first day of the first full billing period on or after January 1, 2007, through December 31, 2010.

Available:

Within the marketing area served by the Loveland Area Projects.

Applicable:

To the wholesale power customers for firm power service supplied through one meter at one point of delivery, or as otherwise established by contract.

Character:

Alternating current, 60 hertz, three phase, delivered and metered at the voltages and points established by contract.

Monthly Rates:

First Step:

DEMAND CHARGE: \$3.43 per kilowatt (kW) of billing demand.

ENERGY CHARGE: 13.06 mills per kilowatthour (kWh) of use.

BILLING DEMAND: Unless otherwise specified by contract, the billing demand will be the seasonal contract rate of delivery.

Second Step:

DEMAND CHARGE: \$3.59 per kilowatt (kW) of billing demand.

ENERGY CHARGE: 13.68 mills per kilowatthour (kWh) of use.

BILLING DEMAND: Unless otherwise specified by contract, the billing demand will be the seasonal contract rate of delivery.

Adjustments:

For Transformer Losses: If delivery is made at transmission voltage but metered on the low-voltage side of the substation, the meter readings will be increased to compensate for transformer losses as provided for in the contract.

For Power Factor: None. The customer will be required to maintain a power factor at all points of measurement between 95-percent lagging and 95-percent leading.

